

SENATE RECORD VOTE ANALYSIS

104th Congress
2nd Session

Vote No. 221

July 23, 1996, 12:19 pm
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WELFARE REFORM RECONCILIATION/Refundable Adoption Tax Credit

SUBJECT: Personal Responsibility and Work Opportunity Act of 1996 . . . S. 1956. Shelby motion to waive the Budget Act for the consideration of the Shelby amendment No. 4939.

ACTION: MOTION AGREED TO, 78-21

SYNOPSIS: As reported, S. 1956, the Personal Responsibility and Work Opportunity Act of 1996, will enact major welfare reforms. The Aid to Families with Dependent Children (AFDC) program will be replaced with a new Temporary Assistance for Needy Families (TANF) block grant to the States. The TANF block grant will be capped through 2001. Time limits will be placed on individuals receiving TANF benefits. Overall, the growth in non-Medicaid welfare spending will be slowed to 4.3 percent annually. The bill originally included major Medicaid reforms, but most of those provisions were stricken when the bill was reported. Without those Medicaid reforms, welfare spending will still be reduced by \$61.4 billion over 6 years.

The Shelby amendment would create a refundable tax credit to cover up to \$5,000 of the costs of adopting a child. (A "refundable" credit gives a taxpayer the full value of a credit even if it exceeds that taxpayers' liability. For example, under this credit, if an individual had \$14,000 in adoption expenses, and had a tax liability of \$3,000, the tax liability would be totally eliminated so no taxes would be paid, plus the Federal Government would give the individual \$2,000). The amendment would also amend the tax code so that any funds spent by an employer to pay for an employee's adoption expenses would not be counted as part of that employee's income. Finally, the amendment would allow tax-free withdrawals from investment retirement accounts (IRAs) to pay for adoption expenses. The amendment would cost \$1.515 billion over 6 years.

Following debate, Senator Roth raised the point of order that the amendment was not germane and that it would reduce revenues, and thus violated the Budget Act. Senator Shelby then moved to waive the Budget Act. Generally, those favoring the motion to waive favored the amendment; those opposing the motion to waive opposed the amendment.

NOTE: A three-fifths majority (60) vote is required to waive the Budget Act. Following the vote, the amendment was adopted by voice vote.

(See other side)

YEAS (78)				NAYS (21)		NOT VOTING (1)	
Republican (46 or 88%)		Democrats (32 or 68%)		Republicans (6 or 12%)	Democrats (15 or 32%)	Republicans (1)	Democrats (0)
Abraham	Hutchison	Akaka	Kerry	Brown	Breaux	Kassebaum- ⁴	
Ashcroft	Inhofe	Baucus	Kohl	Chafee	Bryan		
Bennett	Jeffords	Biden	Lautenberg	Domenici	Bumpers		
Bond	Kempthorne	Bingaman	Leahy	Gregg	Byrd		
Burns	Kyl	Boxer	Levin	Nickles	Conrad		
Campbell	Lott	Bradley	Lieberman	Roth	Daschle		
Coats	Lugar	Dodd	Mikulski		Feingold		
Cochran	Mack	Dorgan	Murray		Feinstein		
Cohen	McCain	Exon	Nunn		Graham		
Coverdell	McConnell	Ford	Pell		Inouye		
Craig	Murkowski	Glenn	Reid		Johnston		
D'Amato	Pressler	Harkin	Robb		Moseley-Braun		
DeWine	Santorum	Heflin	Sarbanes		Moynihan		
Faircloth	Shelby	Hollings	Simon		Pryor		
Frahm	Simpson	Kennedy	Wellstone		Rockefeller		
Frist	Smith	Kerrey	Wyden				
Gorton	Snowe						
Gramm	Specter						
Grams	Stevens						
Grassley	Thomas						
Hatch	Thompson						
Hatfield	Thurmond						
Helms	Warner						
						EXPLANATION OF ABSENCE:	
						1—Official Business	
						2—Necessarily Absent	
						3—Illness	
						4—Other	
						SYMBOLS:	
						AY—Announced Yea	
						AN—Announced Nay	
						PY—Paired Yea	
						PN—Paired Nay	

Those favoring the motion to waive contended:

According to the National Council for Adoption, the cost of adopting a child ranges from \$13,000 to \$36,000. Hundreds of thousands of children are waiting to be adopted, but many families that want to adopt them cannot because of the price. The Shelby amendment would help. It would provide a \$5,000 refundable tax credit, it would allow employers to pick up the costs for employees' adoptions without counting those costs as part of the employees' income, and it would allow penalty-free withdrawals from IRAs for adoptions.

No one disputes the value or necessity for providing Federal adoption assistance. In the United States, the number of out-of-wedlock births is rising astronomically. By early in the next century more than half of all children will be born into a home without a father. Just a few decades ago out-of-wedlock births were uncommon, but they are quickly becoming the norm. This trend has brought with it devastating consequences. Children raised in homes without fathers are much more likely to be on public assistance, to fail in school, to abuse drugs, to commit felonies, to be abused, to be abandoned, and to themselves have children out of wedlock. We expect the number of neglected, abused, and abandoned children to rise; we will have many more than the current 500,000 children in foster care. Without the Shelby amendment, those children will wind up shuttling their whole young lives through State agencies, courts, and foster homes. Common sense tells us, and study after study confirms, that children who are adopted by stable, 2-parent families are better off than children raised in this manner. The Shelby amendment, by making it much easier for families to adopt children, will save many of these children.

Though all Senators agree with the intent of the Shelby amendment, some Senators still have reasons for opposing it. First, the objection has been raised that the tax credit would be refundable. Our colleagues fear that this would lead to fraud. We, on the other hand, focus on the fact that making it refundable would increase the number of good and decent families that could afford to adopt. The next objection that has been raised is that the amendment does not belong on a welfare reform bill. We disagree. The availability of welfare has greatly increased out-of-wedlock births and the number of children who need to be adopted. The issues are related, and it is therefore appropriate to consider them on the same bill. The final objection is that no offsets have been identified. We are willing to consider any proposed offsets. However, we also note that providing a \$5,000 benefit now to have a child brought up in a stable home environment would likely result in that child becoming a productive member of society. Without that benefit, that child would likely end up on welfare, committing crimes, or otherwise costing the Government many times more than \$5,000.

The Senate passed this identical language last year by an overwhelming vote. Clearly Senators understand its merit. We urge them to give it that same support again this year.

Those opposing the motion to waive contended:

We emphatically endorse the purpose of the Shelby amendment. However, we must oppose it for four basic reasons. First, it does not belong on a welfare reform bill. It is true that many children who need to be adopted come from disadvantaged backgrounds; it is also true that many do not. Once a child is out of the family on welfare and in the foster care system, the issue of caring for that child is no longer a welfare issue, it is a foster care, and adoption, issue. Senators, of course, are aware that the number of items that the Senate has time to consider in a Congress is fairly limited, so they may well believe that whether this amendment belongs on this bill or not, it may be the only chance this Congress of passing an adoption tax credit. In this case they are wrong. The Finance Committee has unanimously reported an adoption tax credit bill, and the Majority Leader has promised that it will be considered this session. Our second objection is that the tax credit is refundable. We are extremely uneasy with passing a new "refundable" credit because of the fraud that has occurred with similar credits in the past, most notably the Earned Income Credit. Our colleagues have said that they think that it should be refundable in order to help low-income families adopt. We think that they should be helped as well, but we prefer the approach taken in the Finance Committee Bill, which will allow any unused portion of a credit to be carried forward for up to 5 years. Our third objection is that the Shelby amendment does not have any offsets. If we agree to it, we are going to have to come up with an extra \$1.515 billion in savings by cutting other funding in this bill. The Finance Committee bill is again preferable because it has offsets. Our final objection is that the Shelby amendment would not provide a more generous credit to adopt special-needs children. Children with handicaps or behavioral problems are much more difficult to place, because it is more costly, in both financial and emotional terms, to care for them. The Finance Committee bill provides a larger credit for children with special needs; the Shelby amendment does not. We understand our colleagues' support for the Shelby amendment, but we urge them to have some patience. The Finance Committee's bill offers a better alternative, and that alternative will soon be before the Senate. Senators should reject the Shelby amendment in favor of the Finance Committee bill.